

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-97-6 (TF-97-201)
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ORDER EXTENDING PILOT PROJECT

(Issued April 12, 2000)

On December 2, 1999, MidAmerican Energy Company (MidAmerican) filed a request to continue its Fixed Price Sales (FPS) service pilot project. MidAmerican proposed the FPS pilot project in a filing on August 7, 1997. FPS would give the customer the ability to contract to pay a fixed price for gas service for a specified period of time, rather than taking standard fixed or interruptible service, the price of which will fluctuate based upon the Purchased Gas Adjustment (PGA).

On December 10, 1997, the Board approved MidAmerican's proposal as a two-year pilot project. However, the approval was conditioned upon Board approval of MidAmerican's customer notice, among other things. In order that all sales customers have an opportunity to select the FPS option, the Board required that MidAmerican provide notice to all of its Iowa customers. The Board also required that MidAmerican supply prospective FPS customers with certain information for the preceding three years so that customers could make a better-informed decision regarding the service. MidAmerican sought rehearing of various conditions in the Board's decision.

On January 29, 1998, the Board issued an order granting rehearing and modifying the pilot project in certain respects. Among other changes, the Board allowed MidAmerican to target certain customer groups or geographic areas. MidAmerican was directed to submit a proposal for a target market, to be reviewed and approved by the Board. On rehearing, the Board also stated that the new service should not be used as a tool to interfere with the implementation of competition in the retail gas industry. Specifically, the Board was concerned that MidAmerican might use the FPS contracts to lock selected customers into long-term relationships, delaying the ability of those customers to purchase gas from one of MidAmerican's competitors if and when competition is introduced into the small volume retail gas marketplace.

MidAmerican has never filed a proposed target market and has therefore never implemented the FPS pilot project. Nonetheless, MidAmerican is asking the Board to continue the FPS pilot project for two more years, stating that MidAmerican believes the service may have merit in an unbundled environment.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) has not objected to MidAmerican's request to continue the pilot project.

The Board will approve MidAmerican's request to extend the FPS pilot project for two years, subject to all of the conditions and requirements of the Board's orders of December 10, 1997, and January 29, 1998. However, due to the passage of time and in recognition of intervening events, the Board must add two requirements to this

program, relating to the small volume gas (SVG) transportation service being implemented in Docket No. NOI-98-3.

The Board has previously expressed its concern that the FPS pilot project could have a detrimental effect on the introduction of competition in the retail gas market. The beginning of SVG transportation service is one mechanism for introducing such competition. Therefore, in order to avoid any conflict between FPS and SVG, the Board will order that the term of FPS contracts between MidAmerican and its customers cannot exceed 12 months. A one-year term limitation will alleviate any concern that FPS contracts might be used to lock in customers, but should still be long enough to permit MidAmerican to enter into the financial transactions necessary to cover its pricing position.

For the same reason, the Board will not approve the FPS pilot project tariff until all of the conditions of the December 10, 1997, and January 29, 1998, orders are met and the SVG transportation tariffs are approved. In this way, the FPS program and SVG transportation will become available to customers at approximately the same time. In that way, instead of threatening to lock customers into one option and thereby impeding development of a competitive option, FPS and SVG transportation will give customers a choice of viable competitive alternatives.

IT IS THEREFORE ORDERED:

The request for extension of the Fixed Price Sales service pilot project, filed by MidAmerican Energy Company on December 27, 1999, is granted, subject to the conditions of the Board's orders issued in this docket on December 10, 1997, and January 29, 1998, and the conditions discussed in the body of this order.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 12th day of April, 2000.